



STATE OF ALABAMA
ALABAMA PUBLIC SERVICE COMMISSION
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ALABAMA PUBLIC SERVICE
COMMISSION

RE: Generic Proceeding
On COCOTS

DOCKET 21682

V.

ALL TELEPHONE COMPANIES
OPERATING IN ALABAMA

REPORT AND ORDER

BY THE COMMISSION:

On this Commission's Motion, and pursuant to the Motion of South Central Bell Telephone Company (SCB) filed August 6, 1990, a generic docket was opened on issues related to the completion of intraLATA toll traffic by customer-owned, coin-operated telephone (COCOT) providers. Under a number of other dockets (Appendix I), this Commission has also entertained applications from various COCOIS seeking authority to utilize software commonly referred to as "store and forward" technology to complete 0+, intrastate calls. The principal issue before the Commission in the Generic proceeding and the related dockets is whether such completion of 0+ calls on a local and intraLATA toll basis by COCOTS is in the public interest.

Pursuant to notice of January 9, 1991, the first hearing in this matter was held on February 13, 1991. Shortly before the February 13, 1991 hearing, the Commission determined that separate issues relating to the provision of COCOT service to prisons¹ required a more detailed examination, and a separate hearing was ordered. The hearing addressing the prison related issues was held on April 11, 1991.

Appearing and actively participating in the proceedings were SCB, Talton Telecommunications, Inc. (Talton), the Alabama

¹ The term "prison" and "prison/inmate environment" is intended to include all confinement facilities within the state of Alabama, including, but not limited to, city jails, county prisons, detention facilities, ect.

Attorney General's Office (AG), Delta Communications, Inc. (Delta), and a small group of local exchange carriers (LECs), including Alltel Alabama, Inc., Peoples Telephone Company, Oakman Telephone Company, Inc., Grove Hill Telephone Corporation, Butler Telephone Company, Southland Telephone Company, Monroeville Telephone Company, Inc., and Lamar County Telephone Company, Inc. (Because Alltel was the primary participant of the group, the small LECs will hereinafter be referred to as Alltel.) AT&T Communications of the South Central States, Inc., appeared at the proceedings, but did not actively participate.

Presenting testimony in the proceedings and standing for cross-examination were Mr. Reid Presson, the Vice President of Regulatory Affairs for Intellicall, Inc.; Mr. James C. Wilkerson, Operations Manager in the Regulatory Department of South Central Bell; Mr. Julius Talton, Vice President of Talton Telecommunications, Inc.; Lt. Joe Pitts, Chief Warden of the Houston County Jail in Dothan, Alabama; Mr. Dave Weaver, Alabama Operations Manager for Alltel Alabama; Ms. Sandra Jenkins Sowder, President and Owner of Southern Communications, Inc.; Mr. Scotty Hawk, Manager of COCOT operations for Delta Communications, Inc.; and Mr. Allen Newcombe, Assistant Manager for South Central Bell Field Sales. Although he was unavailable for cross-examination, the prefiled testimony of Mr. John Raley, Chief of Corrections with the Etowah County Sheriff's Department, was admitted into the record without objection from the party participants.

During the course of, and following the proceedings, South Central Bell responded to data requests from Talton and the AG. The admissibility of the testimony of South Central Bell's witness, Mr. James C. Wilkerson, was held in abeyance pending responses to those data requests. On July 5, 1991, a ruling was issued by the presiding Administrative Law Judge declaring Mr. Wilkerson's testimony admissible and establishing a briefing

schedule. Initial briefs were filed on behalf of the AG, SCB, Delta, and Talton. Alltel submitted a letter in lieu of brief outlining its position in the proceedings. Reply Briefs were filed on behalf of SCB, Talton, and the AG.

As stated previously, the primary issue before the Commission in the Generic Proceeding and the numerous pending applications by COCOTS to offer intraLATA service is whether the completion of 0+ local and intraLATA toll calls by COCOTS is in the public interest. The Commission's position on the issue of intraLATA competition has heretofore been clearly defined. The Commission has historically recognized the need to protect the intraLATA toll subsidies which benefit the local subscriber, and has restricted intraLATA competition in order to reserve those revenues to the LECs. In the November 10, 1988 Phase II Order in Docket 19356 (the Commission's Generic Docket on intraLATA competition and related matters), the Commission expressly reaffirmed its policy of reserving 1+ intraLATA authority to the LECs. The same basic reasoning applies to 0+ intraLATA traffic and the accompanying operator surcharge revenues. The fact that limited intraLATA competition was authorized in the Commission's October 3, 1991, Order in Phase III of Docket 19356 does not change the Commission's basic policy of reserving 1+ and 0+ revenues to the LECs.

It is apparent that the efficient completion of 0+ intraLATA traffic by COCOTS without dependence on operator service providers is attributable to technological advances in payphone equipment and software. The software which allows COCOTS to process and complete 0+ calls is commonly referred to as "store and forward" technology. The COCOTS who have applications for intraLATA authority pending the outcome of the Generic Proceeding seek authorization to utilize this technology to complete 0+ intraLATA calls.

In general, "store and forward" is a sophisticated in-phone technology which performs all the necessary call completion and billing functions required on calls originated as 0+ calls without the use of an external operator. Once the necessary call

processing functions are performed, the calls originated as 0+ calls are routed to the local network as 1+ calls unless the call is local in nature, in which case it is routed to the local network as a 7-digit call. All the necessary billing records generated for completed calls are stored and periodically retrieved by the COCOT provider using a personal computer. The billing information is then forwarded to a clearinghouse which has an arrangement with the LECs for the billing of such calls.

Throughout the proceeding, SCB urged the Commission to adhere to its long standing policy of reserving intraLATA toll revenues to the LECs in order to preserve the contributions provided by such revenues to basic service rates. SCB contends that existing contribution from LEC operator and toll transport services would be negatively impacted if the Commission approves a service arrangement which allows COCOTS to perform either the operator service function or align with resellers to complete intraLATA calls. SCB's position is that the completion of all intraLATA toll traffic, both 0+ and 1+, should continue to be performed by the LECs.

Conversely, the COCOTS seeking authority to utilize "store and forward" technology to complete 0+ intraLATA calls, dispute the notion that the intraLATA traffic they are seeking to handle provides a contribution to local service. The COCOTS further argue that their provision of 0+ intraLATA service would be to the benefit of the public, particularly in the prison/inmate environment.

As stated previously, the Commission has considered, prior to and during the pendency of this Generic docket, numerous COCOT applications for authority to provide intraLATA service using "store and forward" technology. In issuing this Order, the Commission has considered all evidence, comments, and testimony of the various parties in the related individual COCOT cases, as well as the prefiled testimony, comments, and exhibits submitted by the parties in the Generic Proceeding. Furthermore, the Commission permitted all interested parties to present oral

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testimony at the hearings held on February 13, 1991, and April 11, 1991, and afforded the opportunity for the cross-examination of witnesses. Finally, the Commission has also considered the comments, briefs, and reply briefs that were submitted by the various parties that participated in the individual cases and in the Generic Proceeding.

DISCUSSION AND FINDINGS

Based on the testimony, comments and evidence in the various records, and upon consideration of the briefs, the Commission makes the following findings of fact and conclusions:

1. COCOTs operating in this state may use sets that are equipped with "store and forward" technology. The Commission finds that the technological advances and automated operator service offered by this type of equipment is in the public interest. COCOTs that wish to use sets equipped with "store and forward" intelligence must, however, comply with the conditions stated below when end users dial 0+ from a COCOT location.

2. Provision of pay phone service in a prison/inmate environment is fundamentally different from the public payphone service provided outside of confinement institutions. For security reasons, many prisons in this state limit inmates to placement of 0+, collect only telephone calls. The automated operator features inherent in "store and forward" equipment are uniquely well suited to servicing the prison/inmate environment. Accordingly, this Commission has specifically authorized the use of COCOT "store and forward" technology in several prison environments on a temporary basis.

Due to the unique benefits this service offers to prison administration, the Commission finds that the provision of COCOT, automated, "0+" collect-only service appropriate. For example, certain payphones require that a called party, when receiving a collect call, accept the call by pressing a number on the keypad. Certain COCOT payphones have technical difficulty in "reading" rotary dial phone responses. Inmates, having discovered this, began to instruct called parties not to press an acceptance key and stay on the line because some phones would allow the call to

be completed after the lapse of a prescribed length of time. Then, the called party would refuse payment on this bill claiming that they had not accepted the call. (See, for example, the transcript in Docket 21813, PP. 37-38). Nevertheless, prisons experience overall benefits from the provision of COCOT collect-only automated phones, such as decreased administrative cost and an improvement in inmate morale.

3. Within the prison environment, COCOTs that supply "store and forward" technology may receive and retain revenues from the automated operator component of the collect call and may choose to use the services of either a LEC or other authorized carriers to complete the toll transport of the call. Any COCOT utilizing "store and forward", collect-only technology is responsible for assuring that the recipient of an automated, collect call indicates an affirmative response (i.e., by voice recognition, pressing a number on the keypad, etc.) to accept charges for the call before it is completed and a negative response in order to decline a call. If neither response is made the call must be terminated and shall not be billed. All equipment placed in a prison or jail environment to make collect-only calls must comply with this provision. All COCOTs must submit the name of their equipment manufacturer to the Commission and the referenced affirmative and negative response mechanism feature must be satisfactory to the Commission before such COCOT equipment is installed in any prison in Alabama.

Finally, Delta Communications, Inc., has further suggested that the unique nature of the prison/inmate environment may require modification of Commission rules. Delta suggests that the definition of "Captive Location" in Commission Rule T-18 (P) be modified to specifically exclude inmate service at prisons. Delta's suggestion is meritorious. The Commission takes notice of Commission Rule T-18 and the definition of captive locations embodied in that Rule. The Commission, because of the unique nature of the prison type environment, specifically excludes prisons from the captive location definition in Rule T-18.²

² Delta Communications, Inc., has also asked this Commission to

4. The completion of "0+" intraLATA collect and credit calls from COCOT locations outside the prison-inmate environment is not in the public interest and the COCOT request to complete such calls is hereby denied. The LECs must be utilized to directly provide both the operator function and transport (toll usage) function of such calls.

The foremost reason for denying this request is that the Commission is not convinced the public interest is served by COCOT completion of 0+ intraLATA calls outside the prison environment. The Commission is unaware of any general consumer dissatisfaction with existing LEC operator services. There would be very little, if any, price benefit to end users, as the various rates proposed by the COCOT applicants are essentially the same rate levels charged by LECs. Thus, the authorization of COCOTs to complete 0+ intraLATA calls outside the prison environment would offer the public neither any new or superior level of quality of service nor any price benefit.

This Commission has consistently applied a policy of reserving 0+/1+ intraLATA revenues to the LECs. For example, in Docket 20804, the Commission concluded that 0+ intraLATA calls should not be completed by Alternate Operator Service Providers. In this context, as the Commission finds no counterbalancing public benefit to the general consumer public from granting the COCOT request to complete 0+ intraLATA calls (outside the prison environment). Said request is hereby denied, and the revenues produced therefrom shall continue to be reserved to the LECs.

5. Talton has contended in this proceeding that it is already authorized to handle 0+ intraLATA traffic utilizing Intell * Star "store and forward" technology. Talton contends such authority was granted after it filed a tariff for 0+ credit card service in Docket 21064. SCB has taken the position that, other than the grant of temporary authority on certain

authorize its existing method of providing intraLATA toll service at the St. Clair County Prison. This method involves removal of dial pads from sets and requires the assistance of live operator services provided by LECs. As the LEC serving the St. Clair Prison is presently handling all operator-assisted, intraLATA toll and local calls, such service arrangement is consistent with the principles established in this Order.

applications in the prison environment, COCOTs have not been authorized to handle 0+ intraLATA traffic.

It is apparent to the Commission that there may have been some misunderstanding among the parties regarding previous Commission policies. It has never been the intention of this Commission to selectively permit one COCOT provider to operate contrary to regulations that govern 0+ intraLATA traffic. The Commission's Order in Docket 20804 restricted Alternate Operator Service providers from completing operator-assisted intraLATA traffic. Except as stated above, the Commission intends that COCOTs not be granted authority that is inconsistent with previous Orders on handling of operator-assisted calls. Further, the Commission has reviewed applicable tariffs submitted by Talton and SCB. Upon review of these tariffs and consideration of the Commission's prior intraLATA policy, the Commission must reject Talton's contention that automated service has already been authorized on an intraLATA basis.

To the extent Talton operations are inconsistent with this Commission's prior orders that intraLATA 0+/1+ authority be reserved to the LECs, Talton is hereby ordered to cease and desist within thirty (30) days of the date of this Order. Talton shall direct all 0+ intraLATA traffic, other than for collect-only service at prison phones, to the appropriate LECs for completion and handling. To the extent any COCOTs filed tariffs that are inconsistent with this Order, the COCOTs are directed to file revised tariffs and delete any such inconsistency within thirty (30) days of the date of this Order.

6. SCB requested in its Motion for a Generic Docket (August 6, 1990) that the Commission clarify the obligations of LECs to perform billing and collection services for COCOTs. It is the intent of the Commission that LECs not offer their intrastate billing and collection service for operator-assisted calls or other types of telecommunication services subject to regulation of this Commission unless the service provider demonstrates to the LEC that it has certification from this Commission to provide the service to be billed. The Commission understands that certain

service providers in the telecommunications industry use the services of clearinghouses to coordinate billing functions with LEC operations. The Commission also understands that COCOT providers do not have any other reasonable means to bill for collect and calling card calls except through the LECs. Therefore, all LECs are hereby required to bill and collect on behalf of COCOT providers for intrastate services that are duly certificated by this Commission through, at a minimum, clearing house arrangements, or show cause to this Commission as to why such arrangements cannot be made.

With respect to billing and collection services for COCOTs, LECs are hereby ordered, as discussed above, to bill and collect charges for the following types of messages that are offered by duly certificated COCOT providers:

InterLATA intrastate 0+ calls;

IntraLATA 0+ collect only intraLATA calls processed by

COCOTs providing service in prison/inmate locations.

No other types of operator-assisted calls are being authorized by the Commission at this time.

7. Another issue before the Commission in this generic proceeding concerns the completion of intraLATA calls from a COCOT set where the end user originates the call on a 1+ (i.e., sent paid) basis. SCB contends that its tariff for providing access lines to COCOTs requires that all such intraLATA toll calls be directed to SCB for completion over SCB's network.

Again, the Commission must note that it has historically reserved 1+ intraLATA calling to the LECs. SCB's COCOT access line tariff is evidence of this policy. The Commission finds no compelling basis to change this policy at this time, and thereby directs all COCOTs to configure their set to hand off all 1+ intraLATA traffic to the appropriate LEC.

CONCLUSION

IT IS, THEREFORE, ORDERED BY THE COMMISSION, That all affected parties file revised tariffs within thirty (30) days after the effective date of this Order to make necessary modifications in their existing tariffs. All pending tariff

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proposals by COCOIS that are inconsistent with this Order are rejected, but the Commission invites resubmission of new proposals that are consistent with this Order. It is the Commission's intent to consider and, if appropriate, approve all resubmitted tariffs (including individual applications) submitted by COCOTs within thirty (30) days after receipt of such filings.

IT IS FURTHER ORDERED BY THE COMMISSION, That:

(1) COCOTs shall be authorized to utilize "store and forward" technology to complete "0+" local, intraLATA and interLATA, collect-only calls from prisons and jails within the state of Alabama.

(2) In order to address potential fraud and abuse on all calls from prisons or jails within the state of Alabama, both inter- and intraLATA, all inmate telephones which offer automated, collect-only service must be equipped with both an acceptance and rejection response mechanism so that if neither action is taken, the call is terminated. Instruments or technologies which provide for or allow automatic acceptance of automated collect-only calls without action from the called party are prohibited.

(3) All COCOTs must submit the name of their equipment manufacturer to the Commission, and the Commission hereby requires that the feature referenced in 12 above be satisfactorily demonstrated to the Commission before such COCOT equipment is installed in any prison or jail in Alabama.

(4) The Completion of "0+" or "0-" or local and intraLATA calls by COCOTs outside the prison or jail environment is not in the public interest and the COCOT request to complete same is hereby denied. The LECs must be utilized to directly provide both the operator functions as well as the transport (toll usage) functions on such calls.

(5) Any and all other issues relating to intraLATA toll calling and competition shall be deferred to Phase III of Docket 19356, the general intraLATA competition docket or placed in an individual docket, as this Commission deems appropriate.

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(6) All LECs are hereby ordered to bill and collect on behalf of COCOT providers for intrastate services that are duly certificated by this Commission through, at a minimum, clearing house arrangements, or show cause to this Commission as to why such arrangements cannot be made.

IT IS FURTHER ORDERED, That this Order shall be effective as of the date hereof.

DONE at Montgomery, Alabama, this 7th day of November, 1991.

ALABAMA PUBLIC SERVICE COMMISSION


Jim Sullivan, President


Jan Cook, Commissioner


Charles B. Martin, Commissioner

ATTEST: A True Copy


Wallace Tidmore, Secretary

APPENDIX IDOCKET NO.COMPANY

21634	American Inmate Phone Systems
21920	Delta Communications
22109	London Communications
21921	Memory Pay Phone
21563	Micro-Comm, Inc.
21750	National TelCoin
21751	PTC Telephone Company
21364	Southeastern Pay Telephone
21608	Talton Communications
21813	Three MC, Inc.
21565	United Tel Coin, Inc.
21564	Vend America, Inc.
21635	Telink Telephone Systems
21565	Global Communications
22106	Reid Communications
22107	Advantage Communications
22108	Oasis, d/b/a Triple S Phone Co.
22105	Wilson Electric
22120	CoinTel Services
21064	Talton Telecommunications
21540	Talton Telecommunications

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